

# Many execs make trek from U.S intelligence to Silicon Valley firms

By Evelyn Richards  
Mercury News Staff Writer

As the defense industry in Silicon Valley turns more and more to super-secret work, its companies are increasingly enticing into their top ranks officials linked to U.S. intelligence agencies.

In the latest and most public example, John McMahon, formerly the second-highest official at the Central Intelligence Agency, was chosen in August to head Lockheed Corp.'s massive Sunnyvale unit.

McMahon, ESL Inc.'s Robert Kohler and numerous executives at smaller firms make up a largely hidden network that binds Silicon Valley to the nation's defense and intelligence agencies, among them



the CIA, the National Security Agency and the Defense Intelligence Agency.

These business leaders are often the most influential element of Silicon Valley's secret society, a hush-hush world in which 30,000 employees with high-level security clearances work on sophisticated projects that they can say little or nothing about.

Alumni of Washington defense and intelligence agencies "are hired first and foremost for their expertise," said Paul Stares, a Brookings Institution foreign policy research associate. But, he said, companies also seek out former public officials who "can perhaps provide them with contacts inside the government ... to gain other sales for the company."

Some observers are more blunt. McMahon, a 34-year CIA veteran with broad agency experience, was hired by Lockheed in 1986 because he "carried connections, and

they are very valuable in this world," said Angelo Codevilla, a Hoover Institution senior research fellow at Stanford University. As a conservative former staff member of the Senate Select Committee on Intelligence, Codevilla often disagreed with McMahon on policy issues.

Congress, responding to a growing concern over the cozy relationship between the government and its contractors, this month approved additional rules designed to prevent companies from buying influence during procurement negotiations. Existing regulations limit the contact certain government employees can have with their former agencies.

But the new legislation goes further to require firms to certify before they can win government contracts that they have not tried to recruit future employees among the procurement officials involved in evaluating the bids.

A 1987 General Accounting Office report on the "revolving door" phenomenon noted that people who leave the Defense Department to work for contractors "might be perceived as using their contacts with former colleagues at (Defense Department) to the benefit of the defense contractor and to the detriment of the public."

"I'm sure there are abuses," said William Perry, a former undersecretary of defense for research and engineering and a key player in Silicon Valley's defense industry both before and since his government tenure. "There are so many people who have come from government to industry and back that you just have to believe there are abuses out there," said Perry, who said he knows of no such instances locally.

In fact, many industry insiders say the perception is not borne out in practice. "Obviously when you hire people, they have to execute (their jobs) or bring in business.

The Washington Post \_\_\_\_\_  
The New York Times \_\_\_\_\_  
The Washington Times \_\_\_\_\_  
The Wall Street Journal \_\_\_\_\_  
The Christian Science Monitor \_\_\_\_\_  
New York Daily News \_\_\_\_\_  
USA Today \_\_\_\_\_  
The Chicago Tribune \_\_\_\_\_  
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But you don't hire them to bring in Contract X," said William Phillips, president of Maxim Technologies Inc. of Santa Clara and a former Defense Department official.

Instead, industry officials say that firms that snare former government workers can become more efficient by using the insight they gain into their customers' needs and methods.

## 'It also helps the government'

"People from the government side can steer them in the right direction," said William Mehuron, a former National Security Agency official who now works in the Silicon Valley. "It not only helps companies, it also helps the government."

Lockheed President Daniel Tellep said McMahon was hired in 1986 as executive vice president for plans and programs at the missiles and space division because he was knowledgeable "in fields important to our future," not because of his government ties.

Though he ended his 34-year CIA career as the No. 2 man to William Casey, McMahon's tenure included supervising many sides of the agency, such as clandestine human operations, data analysis and electronic intelligence gathering. He also coordinated activities of several other intelligence agencies.

McMahon, 59, who refused to be interviewed for this article, was promoted by Lockheed to division president in August in a marked departure from the corporation's past practice of filling the top slot with home-grown executives.

The CIA alumni roster the valley also includes Kohler, president of ESL in Sunnyvale since 1986. Kohler joined the defense contractor after a year as a vice president at Lockheed and after nearly 20 years at the CIA. Edward Juchniewicz heads ESL International Inc., and Charles Roth is a vice

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president at Argosystems in Sunnyvale. Roth, through a spokeswoman, refused to confirm whether he was employed by the agency.

#### **A secret past**

One of the most obscure companies, Deskin Research Group in Santa Clara, is run by a man whose own career is in part cloaked in secrecy. George Deskin formerly had a public life in Silicon Valley — serving as president of Applied Technology nearly 20 years ago and as chairman of the predecessor trade group to the American Electronics Association. But he then worked in Washington in what the head of another local defense company described as a “very highly classified” government office.

Sources said Deskin was among a select group of advisers to the director of central intelligence, the top official who oversees the CIA and other portions of the government's intelligence community.

Deskin did not return several telephone calls.

Sometimes the ties are indirect. Two Silicon Valley firms — Ultron Labs and Elsin Corp. — are owned by a firm controlled by Admiral Bobby Inman, former chief of the National Security Agency. Inman, one of the most well known former intelligence officials, held high-ranking positions in the CIA and the Defense Intelligence Agency as well as heading the NSA, the secretive government operation charged with intercepting foreign communications and a major purchaser of equipment and parts from Silicon Valley.

And Inman claims to have a “shopping list” for other corporate buys in Santa Clara Valley.

The links are often forged by part-time government service. Ray Leadabrand, who heads Bay Area operations for Science Applications International Corp., claims membership on the scientific advisory committee to the Defense Intelligence Agency and other panels.

“If you're interested on the government side of knowing where things are going,” Inman said, Silicon Valley “is the natural place you would look to try to draw in some talent to serve on advisory panels.”

Even the most unsuspecting Silicon Valley managers can find themselves lured into the intelligence world.

Three Silicon Valley business people who are not associated with major defense companies said they have in the past been asked by the CIA to gather technical data in foreign countries.

One was asked to photograph equipment at a European trade show, another was requested to gather details about certain products during business trips overseas and the third was regularly debriefed after foreign travel by agents whom he thought represented the CIA.

Although the CIA is believed to have offices in San Francisco and Mountain View, Sharon Basso, an agency spokeswoman would not comment on its presence. But she acknowledged that the agency is likely to extract foreign intelligence data from businessmen who travel overseas.

#### **Debriefing businessmen**

“We talk to them about what they saw, what their perceptions are of the political situation, the economic situation. . . . It could be specific or very generic,” Basso said.

The FBI, too, solicits aid for its counterintelligence efforts from valley executives. The agency, which is responsible for detecting spies inside the United States, has established links with dozens of Silicon Valley firms. The companies report on their executives' travel plans, and when the managers return, the FBI sometimes questions them about any unusual occurrences.

“When people travel, they're prime targets for hostile intelligence, and they're away from our turf,” said David Szady, supervisory special agent at the FBI's San Francisco office. “We want to know how (foreign agents) try to recruit, and from that we can try to see who's spying in Silicon Valley.”

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*Mercury News Staff Writers Pete Carey and Christopher H. Schmitt contributed to this report.*